



Palomar Annual Report 2020



2020: Palomar Year at a Glance

- 2020 Market Cap: \$2.26B¹
- Launch of Palomar Excess and Surplus Insurance Company (“PESIC”)
- A.M. Best A- (Excellent) FSC group rating
- Nationwide scope through PESIC
- Admitted insurer in 32 states
- 41% growth in gross written premiums
- 15%² growth in earthquake premiums
- 87% growth in non-earthquake premiums
- 95% growth in commercial lines premiums
- Adjusted net income for 2020: \$8.9 million
- Published inaugural Sustainability & Citizenship Report
- Notable executive hires including Chief Legal Officer, Chief Strategy Officer, Chief Technology Officer
- Debuted new branding and website
- Full 404 Sarbanes-Oxley compliance

Table of Contents

- 1** 2020: Palomar Year at a Glance
- 2** Letter from Mac Armstrong
- 6** Business Growth and Evolution
- 9** Continuous Innovation in Underwriting Technology
- 11** A Growing Executive Team
- 13** Investing in Our Company
Culture and Corporate
Citizenship
- 17** Form 10-K

¹ As of December 31, 2020

² Excludes the impact of unearned premiums assumed upon inception of two residential carrier partnerships during 2019

Letter from Mac Armstrong



“I am exceptionally proud of the Palomar workforce, and their steadfast commitment to problem-solving this year. 2020 saw substantial growth in our business our executive leadership team, and our Company’s community engagement.”

—Mac Armstrong, Chief Executive Officer and Chairman of the Board

Dear Shareholders,

It’s likely not news to anyone reading this report that 2020 was a difficult year for all Americans. For Palomar Holdings, Inc. (“Palomar”), it was a year that further solidified our mission, vision, and values—and reminded us of our common purpose to protect the families and businesses that turn to us for innovative insurance protection against a range of disasters. From this perspective, our dynamic, entrepreneurial team provided exceptional results and service to our policyholders.

While agility is in our corporate DNA, the last year has required us to be even more nimble than usual, adjusting to significant changes in our day-to-day operations because of the pandemic. Even with this unforeseen backdrop, Palomar continued to execute on its strategic plan of building a leading company in the specialty insurance marketplace. The experience of 2020, our first full calendar year as a public company, will enable us to face and conquer new challenges and expand our business in beneficial directions.

Before I discuss our year in review, I’d like to touch on the history and philosophy of our Company.

THE PALOMAR STORY

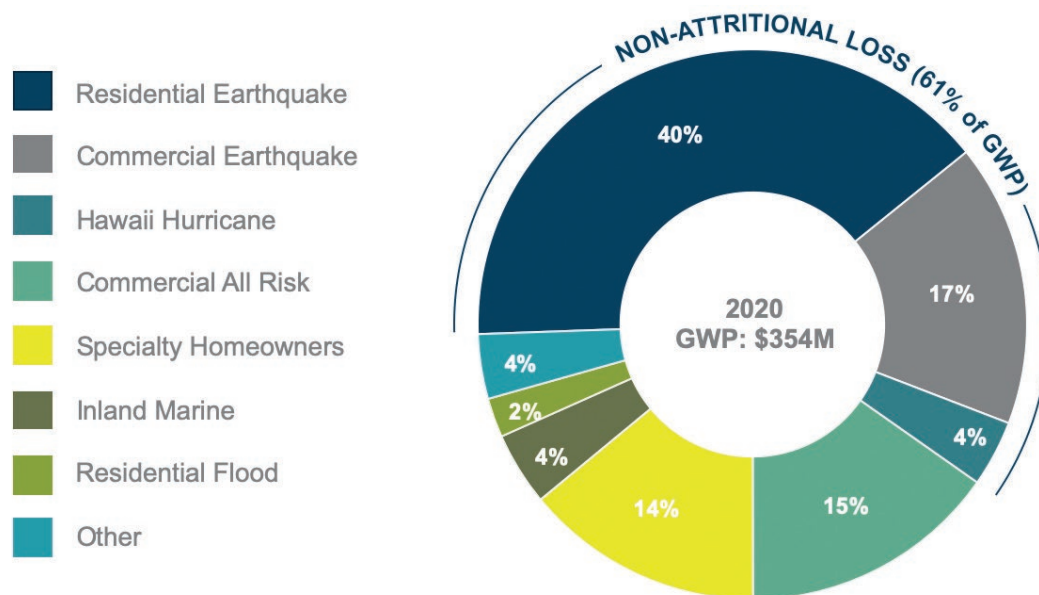
We founded Palomar in 2014 because we saw a unique opportunity to write profitable business in specialty property insurance markets, including those that have historically been underserved by the industry. We are continuously identifying market segments where we feel competitors are mispricing risk or offering limited coverage. Our commercial and residential products are grounded in innovative technologies that use data to assess risk and granularly price policies consistently and accurately, and not at a broad zonal level.

We believe our analytically-driven underwriting process coupled with the decades of specialty property underwriting experience embedded within our management team combine to provide better oversight of our exposure and, ultimately, a competitive advantage. As we launch new products, forge new partnerships, and

acquire new lines of business, we look to apply certain attributes of existing products—illustratively granular pricing, flexible coverage, distribution network, and systems—to reduce the cost of entry into the market as well as the overall execution risk.

In April 2019, Palomar successfully priced its initial public offering (the “IPO”) and began trading on the Nasdaq Global Select Market (“NASDAQ”: PLMR). The IPO was a crucial step in Palomar’s evolution, allowing us to access the equity markets to help execute our growth strategy. In 2020, we successfully transitioned from an emerging growth private equity-backed company to a 404 compliant non-controlled publicly owned company.

ADAPTIVE SPECIALTY PRODUCTS



2020 IN REVIEW

For the year ended December 31, 2020, our Gross Written Premium (“GWP”) grew to \$354 million, a 41% increase from 2019. Our market-leading earthquake franchise grew 15% year-over-year, constituting 56% of our book of business. Non-earthquake business grew 87% highlighted by our Inland Marine and Flood products. As we have refined our product framework and underwriting process, we have made substantial progress diversifying our business mix by product, distribution channel, and geography.

As our admitted Specialty Property products, with their flexible features, granular pricing, and bespoke coverage, are often more akin to those in Excess and Surplus (“E&S”) line markets, we saw a major opportunity this year to formally enter the E&S market. Palomar Excess and Surplus Insurance Company (“PESIC”) launched in June 2020, received a Long-Term Issuer Credit Rating of A- from A.M. Best in July 2020, and began writing business in earnest in August 2020. PESIC affords us the opportunity to enter segments of the property market, notably large national accounts, new geographies—we can write business in all 50 states, and expand our franchise into the casualty market in a disciplined and prudent fashion.

Other notable operational accomplishments over the course of the year include our acquisition of GeoVera’s residential wind book in Hawaii, leveraging our technology to roll out multiple new partnerships with insurance carriers, bringing the total to more than twenty, and the launch of our first casualty product, Real Estate Agents Errors & Omissions. We believe these endeavors will not only diversify Palomar, but also continue our trajectory of scalable, sustainable growth.

Palomar’s culture of agility will foster growth; at the same time our culture emphasizes, if not demands, continuous improvement. As a result, certain lines of business were deemphasized at the end of the remarkable 2020 wind season that will improve the profitability of the business and the consistency of our operating results.

RESPONDING TO COVID-19

The past year has put our agile corporate culture to the test, and we have successfully withstood and adapted to every challenge. At the onset of the COVID-19 pandemic, we quickly moved to a remote work plan to ensure the physical safety of our teammates. Palomar has both a cloud-based operating and technology infrastructure and a specialization in disaster response that enables a seamless pivot to a remote work environment. I am pleased to report that this aggressive approach has kept our team members safe and healthy without compromising productivity in any way.

No definition of health, however, is complete without addressing mental health and wellness. The stress and anxiety associated with the COVID-19 pandemic and the racial, civil, and social unrest in our nation exact an unseen toll on the mental health of millions of Americans. At Palomar, we have created new channels for team member communication, provided valuable tools, and performed mental health check-ins with all our team members. We refer to Palomar as a family, and in tough times families look out for one another.

GROWING OUR TEAM AND IMPACT

Speaking of the Palomar family, 2020 was a year of spectacular growth for our team at every level of the Company. We now have 125 full-time employees nationwide, in cities including San Diego, Minneapolis, and Charlotte. Over the past year, we announced multiple hires for our executive team, all of whom are profiled later in this report.

Additionally, our response to the COVID-19 pandemic speaks to our business values more broadly—and 2020 saw many positive changes for our Company culture. We believe that Palomar has a responsibility to not only our shareholders but also the environment and our local communities in which we work and live.

While the carbon and environmental footprint of Palomar might be smaller than larger corporations with



extensive supply chains and manufacturing infrastructure, we believe every company, regardless of size or industry, should commit to responsible environmental stewardship and sustainability. As part of our ethic of partnership and our interest in economic and social justice, Palomar has also made financial commitments to groups working to create a more just society, and to a minority-owned financial institution providing capital to home and business owners in underserved communities. Finally, the events of last summer inspired the formation of the Palomar Diversity, Inclusion, Community Engagement and Equality Council (“D.I.C.E.”). D.I.C.E. is a team member-led effort that advises management on diversity and inclusion initiatives and best practices in four areas of the Company: governance, recruitment, internal/external partnerships, and community engagement.

You can read more about our commitment to strengthening communities through environmental stewardship, racial equity, and economic justice in our inaugural Sustainability & Citizenship Report, which we released in 2020. The report is available on our website, [PLMR.com](https://www.plmr.com).

LOOKING AHEAD

Over a year has passed since we entered a global pandemic that upended our lives and businesses. Though we now see a light at the end of the tunnel with the introduction of vaccines, we know that we still have a long way to go before we can resume a more “normal” way of living. Our thoughts are, first and foremost, with the millions of people affected by this virus.

Our Company and community is built to not only endure trying times, whether they involve hurricanes, earthquakes, or pandemics, but to learn and ultimately thrive in them. Moreover, we will continue to fortify Palomar’s business model to weather uncertain times such as those that we face today and generate exceptional risk adjusted returns. Our balance sheet is strong in that we are conservatively capitalized and debt free; our COVID-19 exposure is minimal; our products are short tail in nature with very strong premium retention; and our team is seamlessly adapting to a remote work environment offering continuity and value to all constituents.

As I look to the year ahead, we see momentum across our existing lines of business and growth in the new market segments we have entered in the past year. We will capitalize on these dynamics but will do so in a prudent fashion through underwriting, risk transfer, and capital allocation, since profitable growth supersedes growth at any cost. Regardless of external events, however, we will continue to work hard for our policyholders, distribution partners, reinsurers, and shareholders.

Thank you for your support.

Best wishes,



Mac Armstrong

Chief Executive Officer and Chairman of the Board

Increased Flexibility

- Palomar prides itself on its agility and flexibility in creating bespoke insurance products for our customers. Through PESIC, we will hone these strengths through a new capability to respond immediately to change events and market conditions. PESIC will extend the company's proven underwriting expertise into the E&S market within existing and new lines of business to optimize risk participation and profitability.

Enhanced Customer Service

- E&S offerings through PESIC serve certain risks that admitted products offered by Palomar cannot currently satisfy. Through PESIC, we will be able to identify new opportunities and create products tailored to the needs of both existing and future customers in the \$43B US E&S market. A dislocated property market has contributed to an increasing rate environment, improving terms and conditions, and a surge in submissions for E&S property insurers. This made 2020 the ideal year to launch PESIC, and truly serve a nationwide customer base.

PESIC Highlights:

- Launched in June 2020, began writing business in Q3 2020
- Received A- (Excellent) rating from A.M. Best in July 2020; FSC IX
- 2020 GWP of \$29.5 million; 128% sequential growth in Q4
- Achievement of national recognition by surplus lines associations
- Primary lines of business: Commercial Earthquake, Commercial All Risk, and Inland Marine
- New lines of business announced in 2021: Builder's Risk and Excess Liability
- Actively writing in-house business as well as through select program administrators
- Continued robust product pipeline

ADAPTING TO CHANGING CONDITIONS

We believe Palomar occupies a unique position in the market, given our ability to use data analytics to accurately price risk at location level. Historically we targeted occupancy types including homeowners' association, retail stores, hotels, motels, and office buildings. However, the 2020 hurricane season and its unprecedented frequency presented our Company with multiple learning opportunities that not only changed our underwriting appetite, but also proved our ability to quickly adapt to changing market conditions.

Palomar swiftly responded to the lessons learned by exiting the Commercial All Risk and Louisiana Specialty Homeowners markets, moving admitted all-risk business to the E&S market, strengthening underwriting guidelines, targeting layered and shared business off-coast, and reducing limits. These actions offer us more flexibility in underwriting, pricing, and spread of risk, and ultimately superior risk adjusted returns and catastrophe payback.

DEEPENING OUR COMMITMENT TO EXISTING MARKETS

In November 2020, the Company announced an agreement between Palomar Specialty Insurance Company and GeoVera Holdings, Inc. to acquire the renewal rights to GeoVera's Hawaii Residential Hurricane policies. The transaction will further deepen the company's presence in Hawaii, a market that we have served since 2015. Palomar is currently in the process of reaching out to current GeoVera residential customers as their annual policies renew and collaborating with GeoVera to ensure a smooth transition.

The Hawaii market is one we have been proud to serve for several years, and this transaction enables us to expand and solidify our commitment to the community by providing flexible, affordable hurricane coverage to homeowners across the state.

2019 Top Hawaii Insurers of Allied Lines, Homeowners and Fire				
Rank	Company	2019		5- Yr. Loss Ratio
		DWP(\$M)	Market Share	
1	State Farm	\$127.0	20.7%	29.1%
2	Tokio Marine	\$70.9	11.5%	85.5%
3	Heritage Insurance	\$53.3	8.7%	0.1%
4	USAA	\$33.4	5.4%	35.0%
5	DB Ins Co. Ltd	\$30.5	5.0%	41.6%
6	AIG	\$27.4	4.5%	32.5%
-	Palomar / GeoVera (<i>illustrative</i>)	\$27.3	4.4%	1.5%
7	Allstate Corp.	\$25.9	4.2%	78.1%
8	Liberty Mutual	\$22.6	3.7%	67.1%
9	Island Insurance Companies	\$21.4	3.5%	47.6%
10	RLI Corp.	\$17.7	2.9%	45.3%
11	GeoVera	\$16.6	2.7%	1.8%
12	Ocean Harbor Insurance	\$15.5	2.5%	27.7%
13	Zurich	\$15.4	2.5%	28.6%
14	Chubb	\$15.0	2.4%	11.0%
15	Centauri Insurance	\$14.8	2.4%	0.0%
16	Palomar	\$10.7	1.8%	0.7%

Continuous Innovation in Underwriting Technology

Since our company’s inception, we’ve embraced the power of data analytics and invested in best-of-class technology to help us offer competitive, granular pricing while adhering to strict underwriting guidelines. In 2020, we continued to innovate our tools and processes to keep us ahead of the competition. The company’s use of technology is a differentiator by providing a turnkey solution with distribution partners.

HIGHLY CUSTOMIZED POLICIES THROUGH DATA ANALYTICS

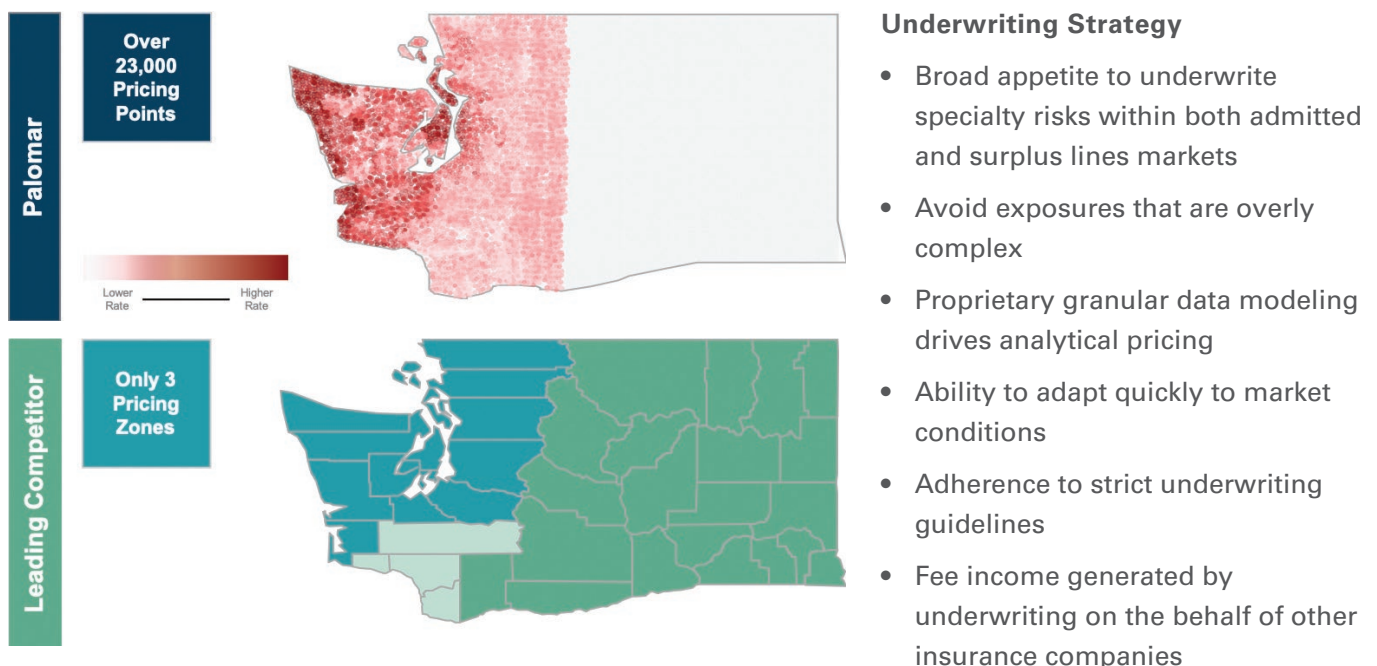
Our proprietary operating platform employs best practices derived from the Palomar management team’s extensive prior underwriting experience, but is not burdened by outdated legacy technology and processes used by older companies.

Our underwriting strategy can be summed up in four words: “Write what we know.” We avoid overly complex exposures and have honed our ability to write business with limited attritional loss potential. Thankfully, our proprietary granular data modeling tools use extensive geographic and actuarial data to greatly expand “what we know” about a given property’s level of risk. This allows us to price policies by geocode or ZIP code level. This is in contrast to our competitors using less granular analytics and more manual underwriting processes, and only able to price policies within broad regions.

Washington Earthquake Pricing Model:

PALOMAR V. LEADING COMPETITOR

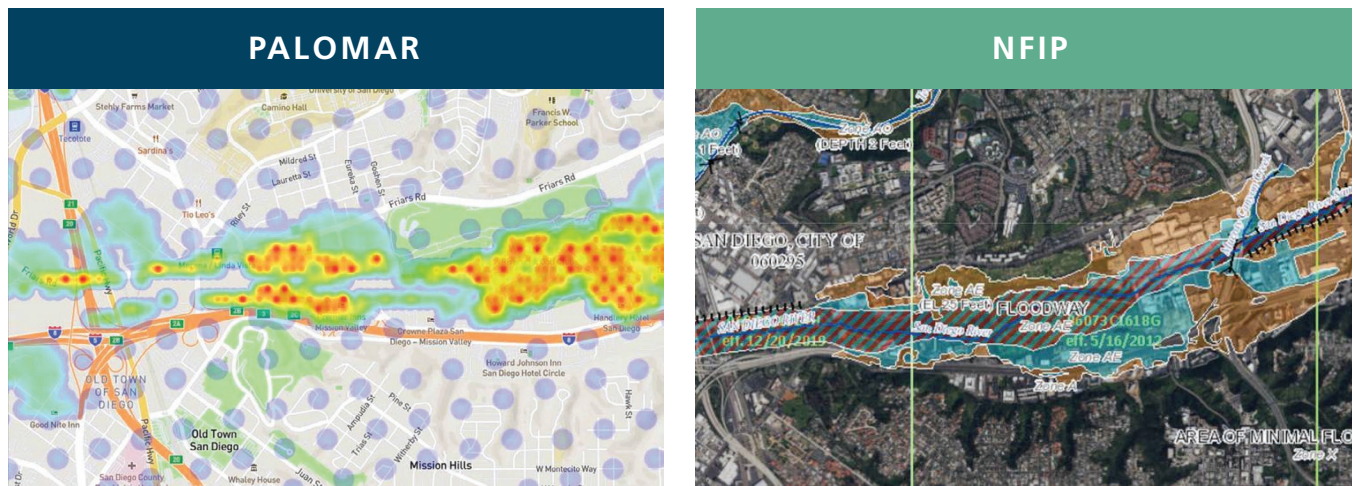
Our Residential Earthquake products assess risks of each individual address using a number of factors, giving us 23,000 pricing zones versus a leading competitor’s three statewide in Washington.



California Flood Pricing Model:

PALOMAR V. NATIONAL FLOOD INSURANCE PROGRAM

Our Residential Flood products, offered under the Flood Guard brand in 11 states, primarily compete with the National Flood Insurance Program (“NFIP”)’s residential flood policies. While the NFIP caps coverage at \$250,000 and prices risk using broadly defined zones, Palomar underwrites flood risk at the distinct address level and offers property coverage up to \$5 million.



API FUNCTIONALITY FOR PARTNERS

We use multiple Application Programming Interfaces (“APIs”) that enable us to integrate with many larger carrier providers, and rapidly quote and bind policies. API development is done through our internal Palomar Automated Submission System (“PASS”). PASS acts as our interface with retail agents and wholesale brokers, and the conduit to our policy administration system integrating policy issuance, underwriting, billing, and portfolio analytics. This platform also allows us to run detailed risk-management analytics for internal and external constituents including distribution partners, carrier partners, and reinsurers.

GROWING IN-HOUSE CAPABILITIES

Every year, we focus on bringing more technological capabilities in-house to provide a seamless experience to both our clients and partners. In 2020, we expanded our PEGA insurance software capabilities to build underwriting products and automate more business processes.

Additionally, 2020 was a year that saw our technology team grow to the second-largest department in the entire Company, with 24 full-time staff. The promotion of Britt Morris to Chief Operating Officer in September also paved the way for our hire of Mark Brose as our Chief Technology Officer. Technology and innovation will always be at the core of Palomar’s strategic vision and plan.

A Growing Executive Team

As our book of business grows, Palomar continues to expand its executive leadership team. Here are this year's most prominent new hires and promotions.



BILL BOLD
Chief Strategy Officer

In May 2020, Palomar announced the appointment of Bill Bold as Chief Strategy Officer. In this role, Mr. Bold reports directly to CEO Mac Armstrong, and is responsible for strategy, external communications, policy, legal, and regulatory affairs. He has spent the majority of his 30-year career focusing on public policy and its relationships with government entities and related organizations at the international, federal, state, and local levels.

MARK BROSE
Chief Technology Officer

In January 2021, Palomar hired Mark Brose as Chief Technology Officer. Mr. Brose brings over 25 years of creating and, more importantly, leading high-performing software engineering and technical operation teams. In the role of CTO, he oversees the adoption and development of technologies that accelerate Palomar business development. He succeeds Britt Morries, now Chief Operating Officer at Palomar.



JON CHRISTIANSON
Chief Underwriting Officer

Jon Christianson assumed the role of Chief Underwriting Officer in May 2020, after serving as Chief Operating Officer. A member of the founding team at Palomar, Mr. Christianson continues to guide the execution of our strategic plan. He brings two decades of industry experience, including extensive work in the areas of catastrophe risk and multiple executive positions.



ANGELA GRANT
Chief Legal Officer

In November 2020, we welcomed Chief Legal Officer Angela Grant to the Palomar executive team. Ms. Grant has over 30 years of operational and legal experience in the insurance industry. Her approach to ethics and compliance, as well as business development, makes her an excellent cultural fit at Palomar. She oversees all in-house and corporate counsel duties, and plays a prominent role in regulatory, compliance, and strategic matters.



MICHELLE JOHNSON
Chief Talent & Diversity Officer

Palomar began 2021 with an announcement of Michelle Johnson’s promotion to Chief Talent & Diversity Officer. Ms. Johnson was previously Senior Vice President of People & Talent, having served in this role since joining the Company in 2019. She brings over 20 years of experience in HR leadership positions, and will continue to cultivate the dynamic Palomar workforce, while expanding the company’s diversity and inclusion practices.



BRITT MORRIES
Chief Operating Officer

Britt Morries was promoted to Chief Operating Officer of Palomar in September 2020. Mr. Morries simultaneously served in his previous role of Chief Technology Officer until the hire of Mark Brose as his replacement. He has been a driver of change and operational improvement since he joined Palomar in 2017, building our technology team, platform, and infrastructure from the ground up. He succeeds Jon Christianson, now Chief Underwriting Officer at Palomar.



JASON SEARS
Senior Vice President and Head of Programs

In August 2020, Palomar hired Jason Sears to lead the newly minted Palomar Excess and Surplus Insurance Company. Since his arrival, Mr. Sears has continuously worked to build new programs and Managing General Agency (“MGA”) relationships for the new E&S platform, diversifying the company’s portfolio, while expanding our underwriting team. He brings nearly three decades of experience, including executive roles with multiple nationwide insurance providers.

Investing in Our Company Culture and Corporate Citizenship

We consider it part of the Palomar mission to support our team and insureds while strengthening our local communities. While we acknowledge that this is a continuous process, with much more work to do, the Company has made significant strides this year toward creating economic opportunities, responding to climate change, and promoting social justice—all while rapidly adjusting to the challenges posed by the COVID-19 pandemic. Additionally, we rolled out a new branding aesthetic, corporate website, and logo that reinforces the company’s mission, vision, and values, while solidifying our commitment to agility, innovation, and problem solving for our insureds and partners.

INAUGURAL SUSTAINABILITY & CITIZENSHIP REPORT

In December 2020, we released the inaugural Palomar Sustainability & Citizenship Report, as part of our commitment to exceeding traditional Environmental, Social Responsibility and Governance (“ESG”) standards. The report outlines meaningful steps the Company has taken to address a range of issues, including climate change and economic and social justice, while continuing to build a compassionate workplace.

Along with outlining goals and achievements in these areas, the Sustainability and Citizenship Report also details how the Company has addressed employee mental health amid the COVID-19 pandemic and the social unrest that has occurred across the country this year. The full report is available online at (<https://plmr.com/palomar-publishes-inaugural-sustainability-citizenship-report/>).



RACIAL EQUITY INITIATIVES

Following the racial, civil, and social unrest that gripped America in the summer months, Palomar renewed its commitment to building stronger communities through advancing racial equity. As CEO Mac Armstrong stated, “we believe this is an important opportunity for all leaders to demonstrate our values in an effort to heal the country and build a more just society.”

In 2020, these initiatives included:

- **Partnership with Broadway Federal Bank**

As part of our corporate ethic of partnership, we wanted to take a meaningful role in creating economic and wealth creation opportunities for historically marginalized populations, including Black home and business owners. Palomar will allocate up to \$10 million to open accounts with Broadway Federal Bank, a Los Angeles-based financial institution founded in 1946 that is majority Black-owned.



- **Donation to the Center for Policing Equity**

In the wake of the social and political unrest following George Floyd’s death, Palomar made a financial contribution to the Center for Policing



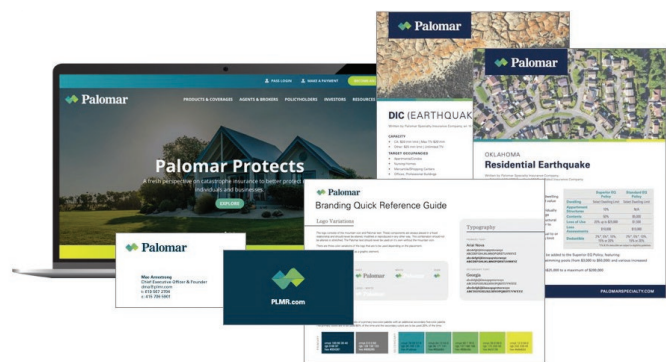
Equity, the nation's top non-profit addressing racial inequities in policing and law enforcement. We also asked our team members to select a nonprofit focusing on economic recovery and social justice, and the Company made a small contribution to each of those organizations in their name.

- **Formation of the Palomar D.I.C.E. Committee**

Palomar has created the D.I.C.E. Council, a team member-led effort that advises company leadership on initiatives and best practices in this important area. The group's charter statement, which emphasizes commitment to these principles, has been adopted by the entire Company.

BRAND EVOLUTION

Even before last year, we knew that we needed to evolve our brand in order to convey our innovative, forward-looking approach to specialty insurance. The rebranding initiative was undertaken in tandem with our significant expansion into new markets, as well as the further articulation of our mission, vision, and values. In early January 2021, we debuted the new Palomar branding aesthetic, corporate website, and logo, after many months' work with our marketing agency partner.



The new **PLMR.com** is optimized for user experience, highlighting the company's unique offerings in both commercial and residential specialty property insurance for agents, brokers and policyholders alike. It aims to showcase the company's fresh approach to covering homes and businesses against major catastrophes, as well as its dedication to building strong, resilient communities. The upgraded navigation and functionality, as well as a simplified layout, allow visitors to easily locate the information and services they need.

The website now features a smart help bot, available 24/7, 365 days a year, to give users the answers they need right away to commonly asked questions. A new Policyholders page provides a central hub for customer information, and an updated Resources page offers guidance on hurricane, earthquake and flood preparedness, as well as data on these events across the U.S. This streamlined approach even extended to the site's new URL, **PLMR.com**, which has replaced the previous URL, **palomarspecialty.com**.

Notably, the new **PLMR.com** showcases the Company's thought leadership and dedication to corporate social responsibility. In addition to its natural disaster information, the updated Resources page now houses all announcements from Palomar, as well as thought leadership articles by Palomar voices on topics relevant to the specialty insurance industry. The Company's revamped social media pages are featured prominently, to make it easier for visitors to engage with Palomar online.

BOARD OF DIRECTORS

Mac Armstrong
Chief Executive Officer and Chairman of the Board

Richard H. Taketa
Lead Independent Director

Daryl Bradley
Director

Robert E. Dowdell
Director

Catriona M. Fallon
Director

Martha Notaras
Director

EXECUTIVE MANAGEMENT

Mac Armstrong
Chief Executive Officer and Chairman of the Board

Heath Fisher
President

Bill Bold
Chief Strategy Officer

Mark Brose
Chief Technology Officer

Jon Christianson
Chief Underwriting Officer

Angela Grant
Chief Legal Officer

Michelle Johnson
Chief Talent & Diversity Officer

Jon Knutzen
Chief Risk Officer

Britt Morries
Chief Operating Officer

Elizabeth Seitz
Chief Accounting Officer

Chris Uchida
Chief Financial Officer

COMPANY MANAGEMENT

Jake Armstrong
Senior Vice President, Underwriting

Robert Beyerle
Senior Vice President, Underwriting

George Dobrev
Senior Vice President, Analytics

Jeffery Lim
Senior Vice President Legal, Compliance and Claims

John MacDonald
Senior Vice President, Marketing

Kyle Morgan
Senior Vice President, Corporate Development & Strategy

Jason Sears
Senior Vice President, Head of Programs

CORPORATE INFORMATION

Corporate Headquarters
7979 Ivanhoe Avenue, Suite 500
La Jolla, CA 92037

Transfer Agent
Computershare, Inc.
PO Box 505000
Louisville KY 40233-5000














Independent Registered Public Accounting Firm
Ernst & Young LLP
560 Mission Street, Suite 1600
San Francisco, CA 98105

INVESTOR INFORMATION

Investor Relations
investors@plmr.com
619-771-1743

Media Contact
news@plmr.com
240-630-0316

BOARD COMMITTEES

	Independence	Adult Committee	Compensation Committee	Nominating & Corporate Governance Committee	Environmental, Social, & Corporate Governance (ESG) Committee
Mac Armstrong	N				
Richard H. Taketa	I		 CC		
Daryl Bradley	I				
Robert E. Dowdell	I			 CC	
Catriona M Fallon	I	 \$ CC			
Martha Notaras	I				 CC

\$ = Financial Expert CC = Chairperson  = Member I = Independent N = Non-Independent



PLMR.com